

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-471-S - ORDER NO. 92-954 ✓
NOVEMBER 5, 1992

IN RE: Application of Driftwood Developers)	ORDER
for Approval to Operate a Sewer System)	APPROVING
and for Approval of a Schedule of Rates)	SERVICE AREA
and Charges for Sewer Service Provided to)	AND RATES
Customers in Greenwood County, South)	AND CHARGES
Carolina.)	

By Application filed August 24, 1992, Driftwood Developers (Driftwood or the Company) seeks approval to operate a sewer system and to implement a schedule of rates and charges for sewer service provided to its customers in Greenwood County, South Carolina. The Application was filed pursuant to S.C. Code Ann. §58-5-240 (Supp. 1991) and 26 S.C. Regs. §103-821 (1976).

Subsequent to the initiation of this proceeding, the Executive Director of the Commission instructed the Applicant to cause to be published a prepared Notice of Filing in certain newspapers of general circulation in the affected area and to furnish the same information to each customer. The Notice of Filing indicated the nature of the Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. A Petition to Intervene was filed by the Consumer Advocate for the

State of South Carolina (the Consumer Advocate). Robert A. Coleman filed a Notice of Protest.

A public hearing was held in the offices of the Commission on October 20, 1992, at 11:00 a.m. The Honorable Henry G. Yonce, Chairman, presided. James B. Jones, Jr. appeared on behalf of Driftwood; the Consumer Advocate was represented by Carl F. McIntosh, Esquire; and the Commission Staff was represented by Gayle B. Nichols, Staff Counsel.¹ Mr. Jones, owner of Driftwood, testified on behalf of the utility. Neither the Consumer Advocate nor the Commission Staff presented testimony.

After a thorough consideration of the Application, the evidence, and the applicable law, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. In 1986, Driftwood Developers, a partnership, acquired property on Lake Greenwood in Greenwood County, South Carolina. Driftwood Developers began providing sewer service for the property owners in 1987. Mr. Jones is currently the sole owner of Driftwood Developers.

2. Mr. Jones testified that Driftwood consists of a gravity flow system, that the sewage flows into a triple stage pump station located inside the sewer treatment plant, and that the treated sewage is discharged into Lake Greenwood. Mr. Jones testified that Driftwood's treatment plant has the capacity to

1. Mr. Coleman did not appear at the hearing.

serve up to 60 customers. Driftwood has submitted a Permit to Operate from the South Carolina Department of Health and Environmental Control (DHEC) as evidence of that agency's approval to provide sewer service.

3. Currently, Driftwood serves fourteen (14) customers. According to its Application, Driftwood estimates that in serving the full development, 43 customers, the Company will have total operating expenses of \$2,295.00 on a monthly basis.

4. Driftwood proposes to charge a monthly service charge of \$25.00. Mr. Jones testified that the \$25.00 monthly service charge was determined after a review of the Company's expenses in providing sewer service. Mr. Jones further stated that, even when fully developed, the utility will be operating at a loss with rates of \$25.00 per month.² Driftwood seeks approval of a \$600.00 sewer tap fee.

5. At the conclusion of the hearing the Consumer Advocate moved the Commission to require Driftwood to use the tap fee as called for in the Commission's Rules and Regulations.

CONCLUSIONS OF LAW

1. The Commission exercises general supervisory and regulatory jurisdiction over public utilities such as Driftwood in respect to approval of service areas and establishment of rates

2. Mr. Jones explained that he desired that the homeowner association acquire the development.

and charges pursuant to the following statutory mandate:

§58-5-210. Supervision and regulation of rates and service.

The Public Service Commission is hereby, to the extent granted, vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services of every "public utility" as herein defined.

S.C. Code Ann. §58-5-210 (1976).

2. Driftwood is a public utility within the meaning of S.C. Code Ann. §58-5-10(3)(1976) if it provides sewer service to the public for compensation.

3. The Commission finds that there is a need for sewer service in the area of Greenwood County where Driftwood seeks approval of a service area. The Commission further finds that Driftwood has been providing sewer service to its customers over the past few years. The Commission concludes that Driftwood is fit, willing, and able to provide the proposed sewer service in the requested service area.

4. An application for approval of the establishment of initial rates and charges must, of necessity, be based upon estimates and projections. The Commission must determine, on the basis of the evidence in the record and the application of its own expertise, whether those estimates and projections are an adequate

basis for rates and charges which are just and reasonable.³

5. The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p. 292.

In applying the above-referenced principles, the Commission must balance the interests of the utility--the opportunity to make a profit while providing adequate service--with the interest of its customer--to receive adequate service at a fair and reasonable rate.

6. The Commission approves the rate of \$25.00 per month for sewer service. The Commission concludes that this rate will allow the utility to offset some of its expenses.

7. The Commission approves Driftwood's proposed tap fee of \$600. The Commission finds, however, that a portion of the tap fee should be allocated by Driftwood for installation of the tap and a portion should be allocated to plant capacity consistent with 26 S.C. Regs. 103-502.11 (Supp. 1991).

3. The Commission notes that in issuing this Order, it is not specifically approving any of the Company's expenses set forth in Attachment H to the Application.

IT IS THEREFORE ORDERED:

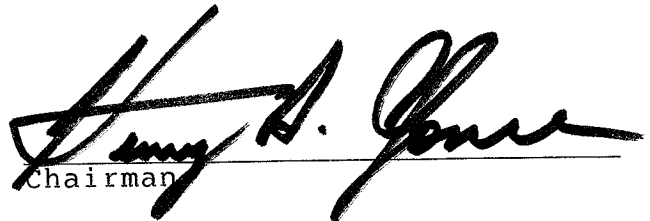
1. That Driftwood Developers is granted a Certificate of Public Convenience and Necessity to operate as a sewer utility in Greenwood County, South Carolina.

2. The schedule of rates and charges for Driftwood Developers as set forth in Appendix A is approved and may be charged for service rendered on or after the date of this Order.


3. Driftwood Developers shall maintain its books and records for its sewer operations in accordance with the NARUC System of Accounts for Class C Utilities.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

APPENDIX A

DRIFTWOOD DEVELOPERS
P.O. BOX 3304
GREENWOOD, SC 29648

FILED PURSUANT TO DOCKET NO. 92-471-S ORDER NO. 92-954

EFFECTIVE DATE: NOVEMBER 5, 1992

Monthly Service Charge - Flat Rate	\$ 25.00 per month
Tap Fee	\$600.00